

**FINANCIAL REPORT  
BOIS BLANC PINES SCHOOL  
June 30, 2008**

**BOIS BLANC PINES SCHOOL  
FINANCIAL REPORT  
Year Ended June 30, 2008**

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# Hill Schroderus & Co., LLP

Certified Public Accountants & Consultants

October 28, 2008

## Independent Auditors' Report

Board of Education  
Bois Blanc Pines School  
Pointe Aux Pins, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of Bois Blanc Pines School, as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

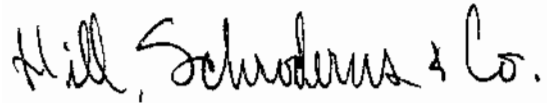
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Bois Blanc Pines School, as of June 30, 2008, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2008, on our consideration of Bois Blanc Pines School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and the budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Board of Education  
Bois Blanc Pines School  
Pointe Aux Pins, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bois Blanc Pines School's basic financial statements. The accompanying other supplemental information is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Hill, Schroeder & Co.".

CERTIFIED PUBLIC ACCOUNTANTS  
Petoskey, Michigan

## **Management's Discussion and Analysis**

### **Overview of the Basic Financial Statements**

Bois Blanc Pines School's basic financial statements include government-wide statements, fund financial statements and notes to the financial statements. This report also contains required and other supplemental information in addition to the basic financial statements.

### **Government-wide Financial Statements**

The government-wide financial statements report information on all of the School's non-fiduciary funds. The government-wide statements are designed to provide readers with a broad overview of the school's finances, in a manner similar to a private-sector business.

The Statement of Net Assets displays all of the School's assets and liabilities, with the difference reported as net assets. All long-term assets and debt obligations are presented therein.

The Statement of Activities focuses on the gross and net cost of the various functions within the school (instruction, support services, etc.), which are supported by the School's general revenues (property taxes, federal grant monies, etc.).

### **Fund Financial Statements**

The fund financial statements report on the governmental funds, with an emphasis on major funds. Major funds are determined by the level of activity within the various funds. The focus of the fund financial statements is on the sources and uses of funds during the current year.

Bois Blanc Pines School maintains one individual governmental fund. Information is presented in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, which is considered a major fund.

### **Notes to the Financial Statements**

The notes provide additional information which is essential to a full understanding of the data provided in the government-wide and fund financial statements.

## Government-Wide Financial Analysis

The table below summarizes the District's net assets as of June 30, 2008 and 2007:

	2008	2007
<b>Assets</b>		
Current and other assets	\$ 191,363	\$ 166,878
Capital assets - net of accum. dep.	34,717	26,570
Total assets	226,080	193,448
<b>Liabilities</b>		
Current liabilities	11,015	8,571
Noncurrent liabilities	580	-
Total liabilities	11,595	8,571
<b>Net Assets</b>		
Investment in capital assets, net of related debt	34,717	26,570
Unrestricted	179,768	158,307
Total net assets	\$ 214,485	\$ 184,877

At the end of the fiscal year, Bois Blanc Pines School is able to report positive balances in both categories of net assets. The first portion of the school's net assets is its investment in capital assets (leasehold improvements, furniture and equipment) less any related debt used to acquire those assets that is outstanding. The School uses these capital assets to provide educational services; consequently these assets are not available for future spending.

The remaining portion of net assets, unrestricted net assets, may be used at the School's discretion to meet ongoing obligations.

The results for the school district as a whole are reported in the Statement of Activities, which is summarized below:

<b>Bois Blanc Pines School Statement of Activities</b>		
	<u>2008</u>	<u>2007</u>
<b>Revenue</b>		
Program revenue:		
Grants and contributions	\$ 21,990	\$ 7,555
General revenue:		
Property taxes	90,907	83,831
State Aid, unrestricted	742	2,498
Interest and investment earnings	3,268	2,570
Other	590	1,693
Total revenues	<u>117,497</u>	<u>98,147</u>
<b>Function/Program Expenses</b>		
Instruction	64,325	45,913
Support services	20,050	20,827
Depreciation (unallocated)	3,514	3,086
Total expenses	<u>87,889</u>	<u>69,826</u>
<b>Change in net assets</b>	29,608	28,321
<b>Net assets - beginning of year</b>	<u>184,877</u>	<u>156,556</u>
<b>Net assets - end of year</b>	<u><u>\$ 214,485</u></u>	<u><u>\$ 184,877</u></u>

As reported above, the school recorded \$87,889 of expenses. The School's federal REAP revenue and corresponding expenses increased by approximately \$15,000 during the current year. Property taxes continue to fund most of the School's activities.

The School experienced an increase in net assets for the year due primarily to increases in both federal REAP revenues and property tax revenues.

#### **Fund Financial Analysis**

As of year-end, the General Fund reported a fund balance of \$180,348, which is \$22,040 greater than the beginning of the year.

#### **General Fund Budgetary Highlights**

Final local revenues were consistent with the original budget; however, federal restricted grant revenues were lower due to less eligible expenditures.

Final expenditures were slightly less than final budgeted amounts.

## Capital Assets

At June 30, 2008 the School had \$45,026 invested in capital assets. The following table summarizes the capital asset activity for the year:

	July 1, 2007	Additions	Disposals	June 30, 2008
Leasehold improvements	\$ 15,749	\$ 11,662	\$ -	\$ 27,411
Furniture and equipment	17,615	-	-	17,615
Total capital assets	33,364	11,662	-	45,026
Less accum. dep.	6,795	3,514	-	10,309
Net capital assets	<u>\$ 26,569</u>	<u>\$ 8,148</u>	<u>\$ -</u>	<u>\$ 34,717</u>

The current year additions to the capital assets were for renovation to the office and break room.

## Economic Factors

Most residents on Bois Blanc Island are retirees, and because of the isolation in the winter months, families with children do not locate to the Island. This is mostly due to lack of industry and related jobs. This year the Bois Blanc Pines School, a K-8 one-room school district, had two full time students.

The school district continues to benefit from the Rural Education Achievement Program. These are federal funds which are to be used mainly for improvement in technology and professional development. Support in all areas of school management and academics is provided by the Eastern Upper Peninsula Intermediate School District.

## Financial Contact

The school's financial statements are designed to present users with a general overview of the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed towards the Board of Education, Bois Blanc Pines Schools, or the Eastern Upper Peninsula Intermediate School District Business Office.



## BOIS BLANC PINES SCHOOL

## Statement of Net Assets

June 30, 2008

	Governmental Activities
	<u>                    </u>
<b><u>Assets</u></b>	
<b>Current Assets</b>	
Cash	\$ 189,463
Due from other governmental units	<u>1,900</u>
Total current assets	<u>191,363</u>
<b>Noncurrent Assets</b>	
Capital assets	45,026
Less: accumulated depreciation	<u>(10,309)</u>
Total noncurrent assets	<u>34,717</u>
Total assets	<u><u>\$ 226,080</u></u>
<b><u>Liabilities and Net Assets</u></b>	
<b>Current Liabilities</b>	
Accounts payable	\$ 2,667
Accrued salaries	8,226
Due to other governmental units	<u>122</u>
Total current liabilities	11,015
<b>Noncurrent Liabilities</b>	
Compensated absences payable	<u>580</u>
Total liabilities	<u>11,595</u>
<b>Net Assets</b>	
Investment in capital assets	34,717
Unrestricted	<u>179,768</u>
Total net assets	<u>214,485</u>
Total liabilities and net assets	<u><u>\$ 226,080</u></u>

## BOIS BLANC PINES SCHOOL

## Statement of Activities

Year Ended June 30, 2008

		Program Revenues	Net Revenue (Expense) and Changes in Net Assets
	Expenses	Operating Grants and Contributions	Governmental Activities
<b>Functions/Programs</b>			
Governmental activities:			
Instruction	\$ 64,325	\$ 21,990	\$ (42,335)
Support services	20,050	-	(20,050)
Depreciation (unallocated)	3,514	-	(3,514)
Total governmental activities	<u>\$ 87,889</u>	<u>\$ 21,990</u>	<u>(65,899)</u>
General revenues:			
Property taxes			90,907
State aid, unrestricted			742
Interest and investment earnings			3,268
Other			<u>590</u>
Total general revenues			<u>95,507</u>
<b>Change in net assets</b>			<u>29,608</u>
<b>Net assets - beginning of year</b>			<u>184,877</u>
<b>Net assets - end of year</b>			<u>\$ 214,485</u>

BOIS BLANC PINES SCHOOL  
Governmental Funds  
Balance Sheet  
June 30, 2008

	<u>General Fund</u>
<b><u>Assets</u></b>	
Cash	\$ 189,463
Due from other governmental units	<u>1,900</u>
Total assets	<u><u>\$ 191,363</u></u>
<b><u>Liabilities and Fund Balances</u></b>	
<b>Liabilities</b>	
Accounts payable	\$ 2,667
Accrued salaries	8,226
Due to other governmental units	<u>122</u>
Total liabilities	11,015
<b>Fund Balance</b>	
Unreserved	<u>180,348</u>
Total liabilities and fund balance	<u><u>\$ 191,363</u></u>

**BOIS BLANC PINES SCHOOL**  
**Governmental Funds**  
**Reconciliation of Balance Sheet of Governmental Funds to Net Assets**  
**June 30, 2008**

<b>Total Fund Balances - Governmental Funds</b>	<b>\$</b>	<b>180,348</b>
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Amounts reported for governmental activities in the statement  
of net assets are different because:

Capital assets used in governmental activities are not financial  
resources and are not reported in the governmental funds  
balance sheet.

Cost of capital assets	45,026	
Accumulated depreciation	(10,309)	

Long-term liabilities, including compensated absences, are not  
due and payable in the current period and, therefore, are not  
reported in the funds.

(580)

Total net assets - governmental activities	<u><u>\$</u></u>	<u><u>214,485</u></u>
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**BOIS BLANC PINES SCHOOL**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Year Ended June 30, 2008**

	<u>General Fund</u>
<b>Revenues</b>	
Local sources	\$ 94,765
State sources	742
Federal sources	<u>21,990</u>
Total revenues	<u>117,497</u>
<b>Expenditures</b>	
Current:	
Instruction	63,745
Support services	20,050
Capital outlay	<u>11,662</u>
Total expenditures	<u>95,457</u>
<b>Net change in fund balance</b>	22,040
<b>Fund balance - beginning of year</b>	<u>158,308</u>
<b>Fund balance - end of year</b>	<u><u>\$ 180,348</u></u>

**BOIS BLANC PINES SCHOOL**  
**Governmental Funds**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**Year Ended June 30, 2008**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 22,040</b>
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Amounts reported for governmental activities in the statement  
of net assets are different because:

Capital outlays are reported in governmental funds as expenditures.  
However, in the statement of activities, the cost of those assets is  
allocated over their estimated useful lives as depreciation expense:

Capital outlay	11,662
Depreciation expense	(3,514)

Expenses related to the liability for compensated absences reported  
in the statement of activities are not reported as expenditures in  
the governmental funds.

(580)

Change in net assets - governmental activities	<u><u>\$ 29,608</u></u>
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**BOIS BLANC PINES SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2008

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Bois Blanc Pines School (the "School District") operates under a Board-Superintendent form of government and provides education services to its residents. The accounting policies of the School District conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant policies used by the School District:

**Reporting Entity**

The accompanying financial statements have been prepared in accordance with criteria established by Governmental Accounting Standards Board Statement (GASBS) No. 14 (and amended by GASBS No. 39). GASBS 14 states the primary basis for determining whether outside agencies and organizations should be considered component units of the School District and included in the School District's financial statements is financial accountability. Financial accountability has been defined as follows: A primary government has substantive authority to appoint a voting majority of the component unit's board; the primary government is either able to impose its will on a component unit or there is a potential for the component unit to provide specific financial burdens on the primary government; and the component unit is fiscally dependent on the primary government. The School District has no component units.

**Basic Financial Statements – Overview**

The School District's basic financial statements include both government-wide (reporting the School District as a whole) and fund financial statements (reporting the School District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's activities are considered governmental activities.

**Basic Financial Statements – Government-Wide Statements**

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government. These statements are reported using the economic resources measurement focus and the full accrual basis of accounting. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. The government-wide focus is more on operational efficiency, the sustainability of the School District as an entity and the change in the School District's net assets resulting from the current year's activities.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis. Due to the full accrual, economic resource basis, all long-term assets and receivables, as well as long-term debt and obligations are recognized. The School District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The School District first utilizes restricted resources to finance qualifying activities.

## NOTES TO FINANCIAL STATEMENT - CONTINUED

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

#### Basic Financial Statements – Government-Wide Statements - Continued

The government-wide Statement of Activities, due to the full accrual, economic resource basis, records revenue when it is earned and expenses when a liability is incurred, regardless of the timing of related cash flows. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, unrestricted State Aid and other items not properly included among program revenues are reported as general revenue. Any net costs, by function, are allocated to the general revenue.

#### Basic Financial Statements – Fund Financial Statements

The financial transactions of the School District are reported in individual funds in the fund financial statements. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. The emphasis in the fund financial statements is on the major funds in the governmental activities category. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures of the governmental funds) for the determination of major funds. The School District's major fund, as described below, is the General Fund.

The governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded in the accounting period in which they become both available and measurable. Revenues are available when received within the current period or within 60 days after year end. Expenditures are recorded in the accounting period in which the liability is incurred. The exception to this general rule is principal and interest on general obligation long-term debt, if any, is recognized when due.

The focus of the fund financial statements is upon the determination of financial position and changes in financial position (sources, uses, and balances of financial resources).

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into generic fund types and broad fund categories as follows:

#### Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the School District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund – The General Fund is used to record the general operations of the School District pertaining to education and those operations not provided for in other funds. The General Fund is the major fund of the School District.



## NOTES TO FINANCIAL STATEMENT - CONTINUED

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

#### Basic Financial Statements -- Fund Financial Statements - Continued

##### Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits and other accounts that have the general characteristics of demand deposits.

##### Capital Assets

Capital assets, which include land, buildings, equipment and vehicles, are reported in the Statement of Net Assets in the government-wide financial statements. Capital assets are defined by the School District as assets that are purchased or acquired with an original cost of \$1,000 or more and an estimated useful life in excess of one year. Such assets are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date donated. Additions, improvements and other capital outlay that significantly extend the useful life of an asset, or increase its capacity or efficiency, are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Leasehold improvements	20-25 years
Furniture and other equipment	5-20 years

##### Compensated Absences

The District's certified employee is allowed to accumulate and vest sick days in accordance with the respective contract. This amount is reported in the government-wide financial statements and represents a reconciling item between the government-wide and fund presentations.

##### Comparative Data

Comparative total data for the prior year is not included in the School District's financial statements.

### NOTE 2: BUDGETING/COMPLIANCE

The School District is required under Public Act 621 to adopt a budget for the General Fund. An annual budget is adopted on a basis consistent with generally accepted accounting principles and State law for this fund. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. All annual appropriations lapse at year-end.

The presentation of budgetary information is required for the General Fund. In the required supplemental information section, the School District's actual and budgeted expenditures for the General Fund are presented.

**NOTE 3: CASH AND INVESTMENTS**

**Cash Deposits**

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

**Custodial Credit Risk – Deposits.** Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. At year-end, the carrying amount of the School District's deposits for the governmental activities fund was \$189,463 and the bank balance was \$190,306. Of this balance, \$185,511 was covered by federal depository insurance. State statutes prohibit security in the form of collateral, surety bonds or another form be taken for the deposit of public funds.

**NOTE 4: PROPERTY TAXES**

Property taxes are levied and become a lien on property as of December 1 on the State taxable valuation of property in the School District as of the preceding December 31.

Property taxes are recognized as revenue in the fiscal year they are levied. The Michigan School Accounting Manual requires property taxes receivable be written off in the current year if not received within 60 days of the end of the previous year. This applies to both the government-wide (full accrual) and the fund (modified accrual) financial statements. There is no significant departure from the full accrual basis of accounting using this method.

The 2007 State taxable valuation of non-homestead property as of March 27, 2008, for Bois Blanc Pines School totaled \$22,191,935 on which taxes levied consisted of 4.1000 mills for operating purposes.

Classification of assessed property between homestead vs. non-homestead is subject to change. In addition, Michigan Tax Tribunal and Board of Review changes throughout the year affect the total taxable valuation.

# NOTES TO FINANCIAL STATEMENT - CONTINUED

## NOTE 5: CAPITAL ASSETS

Capital asset activity for the School District's governmental activities was as follows:

	Balance July 1, 2007	Additions	Disposals	Balance June 30, 2008
Capital assets being depreciated:				
Leasehold improvements	\$ 15,749	\$ 11,662	\$ -	\$ 27,411
Furniture and equipment	17,615	-	-	17,615
Subtotal	33,364	11,662	-	45,026
Accumulated depreciation:				
Leasehold improvements	935	740	-	1,675
Furniture and equipment	5,860	2,774	-	8,634
Subtotal	6,795	3,514	-	10,309
Governmental activities net capital assets	<u>\$ 26,569</u>	<u>\$ 8,148</u>	<u>\$ -</u>	<u>\$ 34,717</u>

Governmental activities depreciation expense was charged as follows:

Unallocated	<u>\$ 3,514</u>
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## NOTE 6: LONG TERM DEBT

The following is a summary of the School District's governmental activities long-term debt transactions for the year ended June 30, 2008:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Compensated absences payables	<u>\$ -</u>	<u>\$ 580</u>	<u>\$ -</u>	<u>\$ 580</u>	<u>\$ -</u>

Long-term debt payable at June 30, 2008, is comprised of the following individual instrument:

Compensated absences for accrued sick leave for which the employee is entitled to be paid upon termination.	<u>\$ 580</u>
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## NOTE 7: LEASE

The school district has a cancelable operating lease with Bois Blanc Township for the school building and storage shed. The district is responsible for all insurance, structural repairs, and maintenance costs. The lease is for \$1 per year and runs through August 31, 2097.

## NOTES TO FINANCIAL STATEMENT - CONTINUED

### NOTE 8: DEFINED BENEFIT PENSION PLAN AND POST EMPLOYMENT BENEFITS

The Bois Blanc Pines School District contributes to the Michigan Public School Employees Retirement System (MPERS), a cost sharing, multiple employers, statewide public employee retirement plan governed by the State of Michigan and created in 1915. MPERS was established by the State of Michigan for purposes of providing retirement, survivor and disability benefits to the State's public school employees. MPERS now operates under the provisions of Public Act 300 of 1980, as amended. MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, 7150 Harris Drive, P.O. Box 30026, Lansing, MI 48909-7526 or by calling (517) 322-6278.

Prior to January 1, 1990, MPERS provided a choice of two retirement plans, the Basic Plan, which required no employee contribution and the Member Investment Plan (MIP). For members hired on January 1, 1990 or after, membership in MIP is mandatory. MIP members are required to contribute 3 to 4.3 percent of their annual covered salary and Bois Blanc Pines School is required to contribute at an actuarially determined rate. The current rate is 16.72% of annual covered payroll, of which approximately 6.55% is for other post employment benefits (see below). The contribution requirements of plan members and Bois Blanc Pines School are established and may be amended by the MPERS Board.

The School District's contribution to MPERS for the years ending June 30, 2008, 2007 and 2006 were \$4,620, \$4,785 and \$4,324 respectively, equal to the required contributions for each year.

#### Other post employment benefits

Also under the MPERS Act, all retirees have the option of continuing health, dental and vision coverage which are funded on a cash disbursement basis. Retirees having these coverages contribute an amount approximately equivalent to the monthly cost for Part B Medicare and 10% of the monthly premium amount for health, dental and vision coverages. The number of plan participants and other relevant financial information consisted of the following at September 30, 2007, the date of the latest actuarial valuation.

Eligible retired participants	162,844
Participants receiving benefits:	
Health	121,804
Dental/Vision	129,771
Expenses for the year	\$653,572,464
Payroll contribution rate	6.55%

## NOTES TO FINANCIAL STATEMENT - CONTINUED

### NOTE 9: RISK MANAGEMENT

The School District carries commercial insurance for risks of loss, including property and employee health insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The School District also belongs to the SEG Self-Insured Workers' Disability Compensation Fund, a public entity risk pool currently operating as a common risk management and workers' compensation insurance program for various school districts throughout the state. The School District pays an annual premium for its workers' compensation insurance coverage. The pool is self-sustaining through member premiums and reinsures through commercial companies for claims in excess of \$500,000 for each insured event. Although the School District could be assessed charges beyond the annual premium, the likelihood of receiving such an assessment is minimal.

## REQUIRED SUPPLEMENTAL INFORMATION

**BOIS BLANC PINES SCHOOL**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Year Ended June 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over/(Under)</u>
<b>Revenues</b>				
Local sources	\$ 93,359	\$ 94,763	\$ 94,765	\$ 2
State sources	-	742	742	-
Federal sources	<u>28,050</u>	<u>20,035</u>	<u>21,990</u>	<u>1,955</u>
Total revenues	<u>121,409</u>	<u>115,540</u>	<u>117,497</u>	<u>1,957</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Basic programs	47,451	45,133	45,322	189
Added needs	18,000	21,858	18,423	(3,435)
Support services:				
Instructional staff	5,160	3,264	3,524	260
General administration	2,519	2,474	2,474	-
Business services	6,700	6,350	5,951	(399)
Operation and maintenance	17,275	18,230	7,339	(10,891)
Pupil transportation services	1,000	762	762	-
Capital Outlay	-	-	11,662	11,662
Intergovernmental payments	<u>20</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>98,125</u>	<u>98,071</u>	<u>95,457</u>	<u>(2,614)</u>
<b>Net change in fund balance</b>	23,284	17,469	22,040	4,571
<b>Fund balance - beginning of year</b>	<u>173,154</u>	<u>158,308</u>	<u>158,308</u>	<u>-</u>
<b>Fund balance - end of year</b>	<u>\$ 196,438</u>	<u>\$ 175,777</u>	<u>\$ 180,348</u>	<u>\$ 4,571</u>

INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS



October 28, 2008

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

Board of Education  
Bois Blanc Pines School  
Pointe Aux Pins, Michigan

We have audited the financial statements of the governmental activities, and the major fund of Bois Blanc Pines School as of and for the year ended June 30, 2008, which collectively comprise Bois Blanc Pines School's basic financial statements and have issued our report thereon dated October 28, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bois Blanc Pines School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Bois Blanc Pines School's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

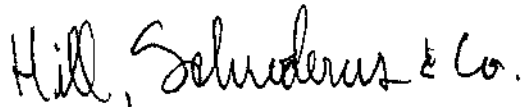
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Board of Education  
Bois Blanc Pines School  
Pointe Aux Pins, Michigan

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bois Blanc Pines School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and Board of Education and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Hill, Schneider & Co." in a cursive script.

CERTIFIED PUBLIC ACCOUNTANTS  
Petoskey, Michigan

NO MANAGEMENT LETTER WAS ISSUED TO THE BOIS BLANC PINES SCHOOL FOR THE YEAR ENDED JUNE 30, 2008.

NO DATA COLLECTION FORM IS REQUIRED TO BE ISSUED TO THE BOIS BLANC PINES SCHOOL FOR THE YEAR ENDED JUNE 30, 2008.